



Questions and Answers on WattsHealth Foundation, Inc. As of June 9, 2005

What is WattsHealth Foundation, Inc.?

WattsHealth Foundation, Inc., is a health plan licensed by the California Department of Managed Health Care through the Knox-Keene Healthcare Service Act of 1975. It provides medical and dental care through its UHP Healthcare HMO. The plan covers more than 93,000 people in southern California, the majority of which are insured through Medi-Cal or Medicare.

Has the plan recently filed for bankruptcy protection?

Yes. On May 31, 2005, WattsHealth Foundation, Inc., filed a voluntary petition in Bankruptcy (Chapter 11 - Reorganization). This is the second time that the entity has filed for bankruptcy protection. The first time was in 1987, from which it emerged two years later. Also, in 2001, the Department of Managed Health (DMHC) took control of the plan in order to keep it in operation for the community. However, since the plan was brought back to a safe financial footing by the state in 2003, its cash reserves have again dropped to dangerous levels.

How will this affect the plan's current enrollees?

The DMHC expects that current enrollees will continue to receive services as usual through their normal doctors, clinics, hospitals and other health care providers. Federal law prohibits current health care providers from terminating their current contracts with Watts without permission from the bankruptcy court.

What is the DMHC's role in the bankruptcy proceedings?

The main focus of the DMHC is make sure that enrollees continue to receive the right care at the right time. Under state law, if a health plan fails financially, the DMHC will take immediate steps to make sure that health care is not disrupted for enrollees and will work with other health plans to provide alternative coverage, if necessary. If Watts cease operations at any time, enrollees will likely be reassigned to another health plan immediately.

The DMHC's HMO Help Center is available to answer questions, concerns or investigate complaints by consumers. We operate 24 hours a day, seven days a week and can be reached at 1-888-HMO-2219 or at www.hmohelp.ca.gov.

Another concern for the DMHC is that Watts' current problems do not harm the financial health of its contracted doctors and hospitals in the community. We are working with the California Association of Provider Groups, the California Hospital Association and the California Primary Care Association to make sure this doesn't happen. Providers who have questions or experiencing problems can also access our HMO Help Center at the above contacts.

How does the bankruptcy affect outstanding bills owed by WattsHealth?

The Watts bankruptcy filing freezes all outstanding claims and the court will address those debts. However, the bankruptcy will not affect the payment of claims for services provided after May 31, the date of the bankruptcy filing. HMO Help Center legal staff will closely monitor complaints for lack of payment.

What are the next steps?

The first bankruptcy court hearing was held in Los Angeles County Superior Court on June 8, where parties received further instructions. The HMO Help Center will continue to monitor enrollee and health care provider concerns and complaints. DMHC staff will also continue to work with plan officials and the community to protect enrollee rights.

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